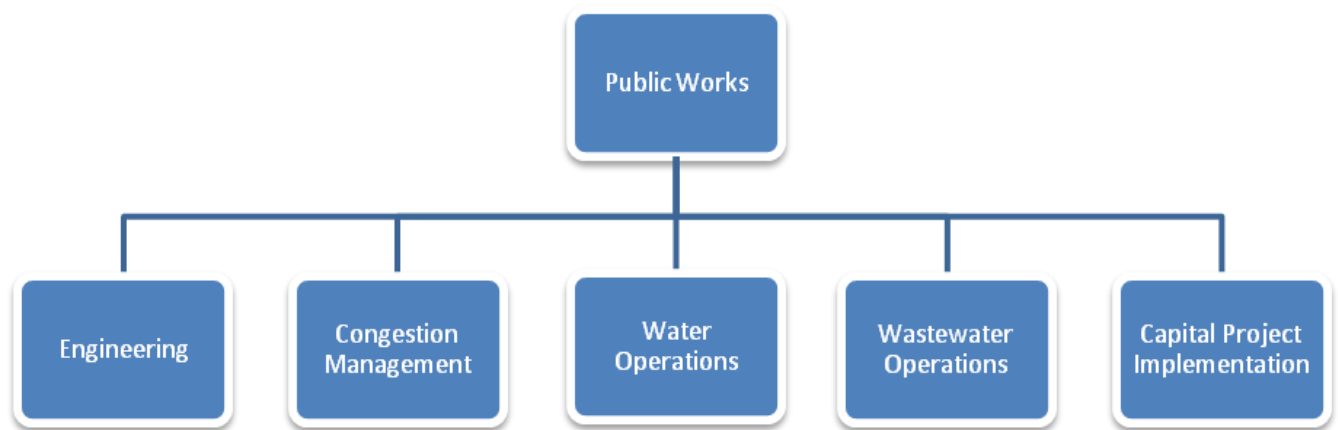


## Appropriations Summary

		14-15		15-16		15-16 Year End		16-17		17-18
		Actual		Amended		Projection		Recommended		Recommended
Employee Services	\$	5,250,326	\$	6,080,100	\$	5,574,188	\$	6,430,188	\$	6,740,481
Supplies & Services		8,023,168		8,999,411		8,627,410		9,126,989		9,879,814
Capital Outlay		783,572		739,259		744,969		850,130		828,633
Debt Services		13,943,100		1,655,175		98		-		-
Internal Service		1,299,426		1,511,564		1,511,565		1,514,565		1,573,971
Transfers Out		2,843,902		2,990,998		3,729,472		5,085,008		5,568,916
<b>TOTAL EXPENDITURES</b>	\$	<b>32,143,494</b>	\$	<b>21,976,507</b>	\$	<b>20,187,702</b>	\$	<b>23,006,879</b>	\$	<b>24,591,815</b>

CONGESTION MANAGEMENT	\$ 70,032	\$ 75,116	\$ 71,705	\$ 75,219	\$ 77,569
ENGINEERING	770,499	942,729	914,288	1,142,611	1,172,408
SEWER OPERATIONS	21,147,491	9,942,341	8,615,333	10,199,929	10,656,433
SEWER RATE STABILIZATION	3,369	3,643	3,537	3,714	3,900
WATER OPERATIONS	8,661,852	9,309,995	8,914,889	9,764,580	10,811,733
WATER RATE STABILIZATION	524	603	603	632	662
CAPITAL PROJECT IMPLEMENTATION	1,489,728	1,702,079	1,667,347	1,820,194	1,869,109
<b>TOTAL EXPENDITURES BY PROGRAM</b>	<b>\$ 32,143,494</b>	<b>\$ 21,976,507</b>	<b>\$ 20,187,702</b>	<b>\$ 23,006,879</b>	<b>\$ 24,591,815</b>

FULL TIME EQUIVALENT EMPLOYEES	43.09	43.09	43.09	45.10	45.10
--------------------------------	-------	-------	-------	-------	-------



[illegible]

### FY 15-16 ACCOMPLISHMENTS

- ## ACTIVITY GOALS

- Participate in VTA activities to facilitate City compliance with the CMP
- Provide assistance as needed to Morgan Hill's representative on the VTA Policy Advisory Committee, Technical Advisory Committee and the South County Board Briefing team
- Prepare transportation impact analysis as needed and route new development applications to VTA for comment
- Continue participation in the regional transportation planning initiatives sponsored by the VTA and initiated through the implementation of the Valley Transportation Plan (VTP)

- Participate in VTA activities to facilitate City compliance with the CMP
- Provide assistance as needed to Morgan Hill's representative on the VTA Policy Advisory Committee, Technical Advisory Committee and the South County Board Briefing team
- Prepare transportation impact analysis as needed and route new development applications to VTA for comment
- Continue participation in the regional transportation planning initiatives sponsored by the VTA and initiated through the implementation of the Valley Transportation Plan (VTP)

- Seek grant funding for street safety improvements
- Ensure development constructed infrastructure meets Complete Streets criteria

- Ensure compliance with Congestion Management Plan through established programs

## Congestion Management (continued)

- Seek initiatives that provide for balanced transportation modes (transit, pedestrian, bicycle, auto)

## Maintaining fiscal responsibility

- Seek grant funding where available

## Supporting youth

- Ensure development constructed infrastructure meets Complete Streets criteria
- Seek safe routes to school grant opportunities

## Fostering a positive organizational culture

- Collaborate with other Departments in regional transportation initiatives

## Planning Our Community

- Think and plan regionally for transportation needs

## Developing Our Community

- Ensure developers build safe and reliable infrastructure
- Seek grant funding where available

## Enhancing Our Services

- Collaborate with regional transportation partners to provide infrastructure and services in the south County

## Improving Our Communication

- Ensure regional initiatives are communicated to Morgan Hill residents
- Inform community of opportunities to voice an opinion on regional matters

## Participating In Regional Initiatives

- Participate with VTA on land use and transportation issues

## FINANCIAL COMMENTS

The FY 16-17 budget is \$75,219 which is made primarily of Salaries and the approximate \$30,000 annual payment due to VTA as the City's share of regional congestion management services. This increases slightly in FY 17-18 to \$77,569. The City is required to provide an annual report and participate in regional transportation meetings, both of which the City complies with. This budget does not fluctuate appreciably.

CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL •

# Engineering [206-5410]

## DIVISION DESCRIPTION

Engineering Development team undertakes activities such as mapping and subdivision services, development review/inspection services, traffic and flood protection services. Engineering team members answer questions, provide technical guidance to those considering development, provide one-stop processing for approval of certain development activities, and support to other City departments when required. The Development Engineering team also oversees all developer initiated construction activities in to the public right-of-way.

Land Development activities include checking, approving, and keeping all improvement plans prepared by consultants for Public Record. Further activities include reviewing all private land development activities for conformance with City standards, and checking and approving all maps for compliance with the Subdivision Map Act. Engineering Development reviews building permit applications and proposals that are filed with the City's Building Division and provides support to the Environmental Programs team for the City's National Pollution Discharge Elimination System. For the 16-17 and 17-18 fiscal years, the Engineering Development team will be launching several customer service upgrades. The timing of these upgrades coincides with the implementation of the TRAKiT permit processing software throughout the Development Services Center. The customer service upgrades will focus on the following:

- A more streamlined approach to processing development applications and improvement plans
- Providing useful information to developers at the beginning phases of a project to assist them in anticipating the necessary steps and activities required to get projects approved.
- Developing ways to take in customer feedback to help further improve the process

To dramatically improve customer service, it is recommended that a new Senior Project Manager position be hired to deliver CIP projects. In turn, this will allow the Engineering Development team to focus primarily on development services and not be asked to simultaneously work on capital projects. Due to the small engineering team in Public Works and the historically large capital projects workload, the Engineering Development team has been asked to deliver capital projects. This has resulted in not having the adequate resources dedicated to either function and service has been negatively impacted. The new Senior Project Manager position would be funded from CIP projects and not from the Engineering portion of the Community Development Fund. However, Engineering and Capital Project Implementation team are recommending hiring an in-house Public Works Inspector, based on the outcome of a cost analysis conducted on inspection contract service. By hiring an in-house Inspector, the City will realize a cost savings as contract inspectors typically result in a higher cost. This new Public Works Inspector position is recommended as it will support both Engineering and CIP Project inspections.

## FY 15-16 ACCOMPLISHMENTS

- Participated in Residential Development Control System (RDSCS) application scoring
- Collaborated with Community Development and Economic Development teams to assist with new commercial development projects.
- Processed 12 final maps
- Supported the Building Department with permit application reviews
- Provided plan check services for every development project submittal

CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL •

- 
- Provide flood plain management services where needed
- Provide traffic engineering services to City teams and to the public when needed
- COUNCIL GOALS**
- Enhancing public safety**
- Traffic safety reviews when called for
  - Ensure development constructed infrastructure meets Complete Streets criteria
  - Ensure street and sidewalks are properly included in development projects
- Protecting the environment**
- Ensure developer installed water and wastewater improvements meet City standards
  - Developer projects shall meet Complete Streets design

• CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18

## Engineering (continued)

## Maintaining fiscal responsibility

- Provide developers with design guidelines and requirements ahead of time to help ensure tasks are completed as efficiently as possible
- Use consultant services only as needed

## Supporting youth

- Ensure development constructed infrastructure meets Complete Streets criteria
- Review developer street design to ensure proper safety geometry and signage

## Fostering a positive organizational culture

- Collaborate with other Departments in development review
- Support Planning and Building teammates

## Preserving and cultivating public trust

- Ensure construction activity is implemented with minimal impacts to community
- Thorough plan review to ensure the City accepts quality infrastructure
- Follow through with customer service initiatives

## Planning Our Community

- Follow infrastructure master plans
- Thorough evaluations of RDCS applications to ensure community's interests are taken care of
- Thorough plan reviews

## Developing Our Community

- Ensure developers build safe and reliable infrastructure
- Coordinate developer infrastructure design with capital projects
- Build infrastructure to meet growth needs

## Enhancing Our Services

- Build safe and reliable water and wastewater improvements
- Seek ways to provide sustainable streets
- Collaborate regionally to provide smart infrastructure

## Improving Our Communication

- Ensure developers and their engineers and contractors are communicating with affected neighbors
- Collaborate with other Departments on development infrastructure build-out

## Participating In Regional Initiatives

- Participate with VTA on land use issues



CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL •

The services provided by the Engineering team are paid for by development related fees. Revenues from development activity peaked in the 15-16 FY to coincide with the backlog of residential units coming out of the great recession. For FY's 16-17 and 17-18 revenues will drop slightly each year before an anticipated steady revenue stream in the out years. The expenditures, however, will increase slightly in the next two fiscal years. The FY 16-17 recommended expenditures budget increases by \$228,323 from FY15-16, mainly due to restructuring of responsibilities and addition of .45 FTE. The FY16-18 recommended budget also includes a new GIS Manager position, which will be funded 41% by Community Development Fund ( 15% Planning, 11% Building, 15% Engineering), and remainder by the General, Park Maintenance, Water and Wastewater Funds

The use of contract services has historically been included in the budget to augment staff's efforts to ensure developer projects are reviewed in a timely manner. To improve customer service in the coming fiscal years the Department will undergo an internal re-structuring to provide more attention to the processing of development applications and plan checks. No new engineering staff are included in the proposed budget. However, the Department is adding a new Public Works Inspector position which will split time between Land Development Engineering and Capital Projects Implementation. For Land Development Engineering 206-5410 a new 0.3 FTE of Public Works Inspector will be included. The additional Salaries line item cost for the 0.3 FTE Public Works Inspector will be more than made up for the reduction in contract services for inspection services. Contract services will be shown in the budget for map checking, Land Surveyor approval of maps, occasional improvement plan checking, storm water management, and for special construction inspection. These services will only be deployed when required.

# Engineering (continued)

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
41100	SALARIES - GENERAL	310,065	327,483	307,582	548,622	574,201
41271	SALARIES - PART-TIME TEMP	560	-	1,500	-	-
41320	EARNED LEAVE LIABILITY	13,785	14,703	14,703	13,306	13,838
41490	OVERTIME - GENERAL	1,187	-	300	-	-
41620	RETIREMENT - GENERAL	54,300	58,753	54,857	99,529	107,074
41690	DEFERRED COMPENSATION	6,298	7,075	6,024	11,093	11,515
41700	GROUP INSURANCE	43,470	43,775	46,820	77,583	81,295
41701	MEDICARE	4,168	4,773	3,984	7,462	7,854
41701	MEDICARE PTT AND OT	-	-	26	-	-
41730	INCOME PROTECTION INS	2,749	2,379	2,698	4,896	4,896
41760	WORKERS COMP	7,735	16,374	7,641	13,716	14,354
41760	WORKERS COMP PTT AND OT	-	-	45	-	-
41799	BENEFITS	1,728	1,723	1,685	2,313	2,313
41800	UNIFORM	341	318	507	517	527
<b>Salaries Total</b>		<b>446,386</b>	<b>477,356</b>	<b>448,373</b>	<b>779,037</b>	<b>817,867</b>
42214	TELEPHONE	3,483	3,395	2,700	3,497	3,602
42228	GASOLINE & OIL	864	2,122	950	2,185	2,185
42230	SPECIAL COUNSEL	-	-	1,193	-	-
42231	CONTRACT SERVICES	148,632	265,375	265,375	126,000	126,000
42236	BANK CARD SERVICE FEES	1,978	2,123	2,600	2,600	2,600
42244	STATIONERY & OFFICE SUPPLIES	3,092	1,167	1,100	1,202	1,238
42245	COMPUTER HARDWARE-NON CAPITAL	1,006	9,193	8,100	2,219	1,513
42246	COMPUTER SOFTWARE-NON CAPITAL	53	266	300	274	282
42248	OTHER SUPPLIES	1,500	1,379	2,600	1,421	1,463
42250	ADVERTISING	456	212	-	-	-
42252	PHOTOCOPYING	431	743	400	765	788
42254	POSTAGE & FREIGHT	356	266	2,100	274	282
42257	PRINTING	-	424	650	437	450
42261	AUTO MILEAGE	43	212	120	219	225
42281	SMALL TOOLS	36	1,000	-	-	-
42299	OTHER EXPENSE	1,413	530	350	2,421	563
42408	TRAINING & EDUCATION	824	1,273	1,100	1,311	1,351
42415	CONFERENCE & MEETINGS	55	849	800	874	900
42423	MEMBERSHIP & DUES	581	318	750	550	550
42435	SUBSCRIPTION & PUBLICATIONS	541	424	529	437	450
42526	MAINT - AUTO/TRUCKS	406	637	550	656	675
42531	MAINT - FURNITURE/OFFICE EQUIP	-	-	183	-	-
<b>Supplies Total</b>		<b>165,751</b>	<b>291,908</b>	<b>292,450</b>	<b>147,342</b>	<b>145,117</b>
43830	AUTO/TRUCKS	-	-	-	7500	-
43840	COMPUTER EQUIPMENT	-	9,000	9,000	-	-
<b>Capital Total</b>		<b>-</b>	<b>9,000</b>	<b>9,000</b>	<b>7,500</b>	<b>-</b>
45003	GENERAL LIABILITY INSURANCE	28,674	22,923	22,923	12,678	13,946
45004	BUILDING MAINT - CURRENT SERVICES	18,700	18,171	18,172	16,433	15,811
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,927	3,015	3,015	3,105	3,199
45009	INFO SYSTEM SERVICES	12,161	14,235	14,235	56,362	56,362
45010	GF ADMIN	57,670	60,554	60,554	63,581	66,760
<b>Internal Services Total</b>		<b>120,132</b>	<b>118,898</b>	<b>118,899</b>	<b>152,160</b>	<b>156,077</b>
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	25,727	28,466	28,466	39,344	40,975
49241	TRANSFER OUT-BOND/DEBT	12,502	10,061	10,061	5,756	6,635
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	7,039	7,039	11,473	5,736
<b>Transfer Total</b>		<b>38,229</b>	<b>45,566</b>	<b>45,566</b>	<b>56,573</b>	<b>53,346</b>
<b>5410 - Engineering Total</b>		<b>770,499</b>	<b>942,729</b>	<b>914,288</b>	<b>1,142,611</b>	<b>1,172,408</b>

CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL •

The Wastewater Operations Division protects public health and safety by ensuring that wastewater is properly collected and transported to the South County Regional Wastewater Authority (SCRWA) treatment facility in Gilroy which is owned under a Joint Powers Agreement (JPA) with the cities of Morgan Hill and Gilroy. The treatment plant is undergoing a considerable rehabilitation program requiring additional resources from Morgan Hill and Gilroy. The City of Morgan Hill owns, and therefore funds, 42 percent of the capital renovation and expansion costs at the treatment facility, as well as a portion of the facility's annual operations and maintenance costs. The annual operations and maintenance costs are based on the actual prior year annual flow as recorded by the Harding flow meter and averaged with the two previous years. For FY 16-17, operational costs are allocated between the cities of Gilroy and Morgan Hill at 57 percent and 43 percent, respectively. The allocations for FY 17-18 will be determined in the second year of the two-year budget.

The Wastewater Operations Division receives the majority of its revenue through service fees based on the number of water units consumed as measured at the water meter. Wastewater fees collected from a non-residential customer are assessed by measuring units of water through the non-irrigation water meter to the property. Residential customer wastewater fees are determined by measuring water usage during the winter months and applying the average units of water used to the remaining months. The State-ordered mandate to reduce water consumption will continue to affect wastewater operation revenues from non-residential and residential system users to some extent. A rate study was completed in FY 2015-16 in conjunction with the water enterprise rate study which analyzed the impact the drought conditions had on wastewater operating revenues.

The City's wastewater team focuses its efforts on upkeep and maintenance of 170.5 miles of sewer pipelines and 14 lift stations. These are the principal elements that make up the publicly owned and operated wastewater collection system. Residential and commercial entities served by the City's wastewater division are connected to the wastewater collection system through private sewer laterals. A private sewer lateral extends from the building being served to the City's sewer main. Private sewer laterals are not part of the public system, and therefore city resources are not used to maintain them. The wastewater operational staff maintains the wastewater collection system through routine line flushing, inspection, lift station maintenance, and repairs of the infrastructure. Through these tasks, the City of Morgan Hill has consistently maintained a low number of Sanitary Sewer Overflows (SSO), which is a quantifiable, measureable objective.

- Completed a comprehensive rate study for the wastewater enterprise in order to balance the long-term environmental and financial sustainability
- Secured bond funding for capital projects within the City and in response to SCRWA project funding needs
- Flushing: Increased time spent flushing mains with video review workflow in place, which provided flushing crews with an understanding of their cleaning effectiveness
- Inspection: Use advanced camera and mobile video center combined with improved flushing techniques to identify defects in the larger sewer mains
- Repairs: Increased point repairs and pipeline improvements by using trenchless methods for pipe patching The trenchless method for making repairs is less costly and enable crews to perform a greater number of repairs

## Wastewater Operations (continued)

- **H-Lift Station Rebuilt:** This is an older lift station that has reached the end of its life cycle. The lift station rebuild is part of the overall ongoing maintenance and replacement program for all the City's lift stations
- **Completed renovation designs for D, F, K, and W lift stations**

### ACTIVITY GOALS

## FY 16-17

- Begin construction of renovations for D, F, K, and W lift stations
- Continue construction of the Morgan Hill/Gilroy trunk line construction
- Implement the SEDARU asset management platform to store and retrieve the wastewater system infrastructure data and historic record including flushing program data, maintenance forms, and repair logs
- Complete Wastewater Master Plan
- Update Sanitary Sewer Overflow Management Plan to comply with wastewater discharge permit requirements
- Begin infiltration and inflow (I&I) management plan to comply with wastewater discharge permit requirements

## FY 17-18

- Complete construction of lift station renovations
- Implement work order management system needed to track work performed by the utility team
- Replace Pump Station F force main. This will be a difficult project due to narrow private property easements and proximity of private homes
- Begin construction of new wastewater trunk line to SCRWA plant

## COUNCIL GOALS

The Public Works Department will implement policies and activities that are aligned with the priorities, goals and strategies the Council has set for 2017 and 2018.

## Enhancing Public Safety

- Maintain reliable and dependable wastewater system
- Prevent sewage overflows and spills by addressing aging infrastructure

## Maintain Fiscal Responsibility

- Balance environmental and financial sustainability while meeting State conservation mandate
- Meet the sewer revenue bond covenants and the wastewater enterprise funds (operations, rate stabilization, and capital improvement funds) reserve policy

## Planning Our Community

- Updating the Utilities Master Plans (Water, Sewer, Stormwater)

## Developing Our Community

- Constructing a multitude of wastewater capital improvement projects

CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL •

In FY 15-16, the City Council went through an extensive utility rate study to ensure both public safety and public health for the Morgan Hill community are maintained. As a result of the rate study, the Council approved a five year annual rates increase plan to ensure that the integrity and reliability of the essential community assets can be maintained, aging and inefficient infrastructure replaced, provide proper reserve levels in accordance with Council policy and legally required debt coverage, and that sufficient annual operating revenue would be generated to pay all annual operating expenses. The new rates became effective January 1, 2017 with ratepayers seeing an increase of 2.0 percent in fixed meter and consumption charges, and further rate adjustments of 2.0 percent on January 1 of each subsequent years through 2020. The Council did not implement the previously approved 3.5% rate increase on January 1, 2016. The two-year recommended budget in Wastewater Operations incorporates a reduction in water consumption from the 2013 base year level by 30% in FY 16-17 and 20% in FY 17-18. This reduction level is projected to have a nominal effect on sewer service fees revenue. The recommended revenue for sewer service fees are \$10.2 million in FY 16-17 and \$10.6 million in FY 17-18.

The FY16-18 recommended budget also includes a new GIS Manager position, which will be funded 13% by Wastewater, and remainder by the General, Community Development, Park Maintenance, Water Funds.

## Wastewater Operations (continued)

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
41100	SALARIES - GENERAL	1,053,806	1,226,890	953,768	1,215,333	1,271,568
41320	EARNED LEAVE LIABILITY	12,740	12,740	12,740	24,389	25,365
41490	OVERTIME - GENERAL	28,222	25,750	23,200	26,523	27,318
41620	RETIREMENT - GENERAL	136,803	218,926	170,696	221,333	237,992
41690	DEFERRED COMPENSATION	17,306	24,538	20,003	20,658	21,573
41700	GROUP INSURANCE	227,902	235,691	170,050	218,752	229,521
41701	MEDICARE	14,003	18,204	11,740	14,949	15,816
41701	MEDICARE PTT AND OT	-	-	336	385	396
41730	INCOME PROTECTION INS	11,031	11,970	9,925	13,254	13,254
41760	WORKERS COMP	26,718	61,983	23,991	30,384	31,790
41760	WORKERS COMP PTT AND OT	-	-	580	663	683
41799	BENEFITS	2,662	2,783	2,895	2,867	2,867
41800	UNIFORM	9,567	7,426	11,500	11,730	11,965
Salaries Total		1,540,760	1,846,901	1,411,424	1,801,220	1,890,108
42208	ELECTRIC	23,421	25,585	23,400	26,353	27,143
42210	WATER/SEWER	1,812	1,977	1,800	2,016	2,057
42214	TELEPHONE	11,533	9,364	10,100	9,551	9,742
42228	GASOLINE & OIL	17,922	22,889	13,500	23,347	23,814
42231	CONTRACT SERVICES	189,563	435,837	305,000	278,485	286,840
42236	BANK CARD SERVICE FEES	532	31	550	550	550
42240	RENTALS - OUTSIDE	-	2,601	200	2,653	2,706
42244	STATIONERY & OFFICE SUPPLIES	2,924	5,202	4,400	5,306	5,412
42245	COMPUTER HARDWARE-NON CAPITAL	486	8,323	6,500	8,490	8,659
42246	COMPUTER SOFTWARE-NON CAPITAL	1,860	9,364	7,700	9,551	9,742
42248	OTHER SUPPLIES	34,230	149,650	118,000	144,870	149,216
42250	ADVERTISING	2,889	2,040	793	2,081	2,122
42252	PHOTOCOPYING	169	-	500	515	530
42254	POSTAGE & FREIGHT	57	5,260	4,500	265	271
42257	PRINTING	876	1,561	6,200	1,592	1,624
42261	AUTO MILEAGE	22	153	100	156	159
42270	SEWER CHRGS MAINT/OPS (SCRWA)	3,539,550	3,879,467	3,879,467	4,152,849	4,360,491
42273	WATER/SEWER MAINTENANCE SVS	44	18,207	18,207	18,571	18,943
42281	SMALL TOOLS	3,409	4,162	4,227	4,245	4,330
42299	OTHER EXPENSE	17,085	7,500	7,200	9,350	7,959
42408	TRAINING & EDUCATION	9,227	7,803	6,100	7,959	8,118
42415	CONFERENCE & MEETINGS	115	780	1,700	796	812
42423	MEMBERSHIP & DUES	6,583	5,514	5,100	5,624	5,737
42435	SUBSCRIPTION & PUBLICATIONS	-	179	100	182	186
42510	MAINT - BLDGS/IMPROVEMENTS	354	-	-	-	-
42523	MAINT - MACHINE/EQUIPMENT	10,096	17,687	17,200	18,041	18,401
42526	MAINT - AUTO/TRUCKS	41,836	31,212	31,000	31,836	32,473
Supplies Total		3,916,595	4,652,348	4,473,544	4,765,234	4,988,037

CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

## Water Operations [650-5710]

## DIVISION DESCRIPTION

The City of Morgan Hill supplies water service to approximately 13,500 metered residential, commercial, and industrial customers. Water Operations ensures that the City's water supply needs are continually met and that water quality meets or exceeds all public health and environmental standards. The City's municipal water source is 100 percent from ground water provided through 17 groundwater wells, 9 pumping stations, 10 reservoir sites, 23 pressure zones and 165 miles of distribution pipeline. Water Operations delivers quality service to its customers through formalized maintenance programs and long range planning activities that improve the reliability of the water system.

The Water Operations Fund receives the majority of its revenue from fixed meter and water consumption charges and thus is heavily influenced by two primary drivers: climate and economic development. Drought conditions continued during FY 15-16, the fifth year of dry weather in the State. The City Council maintained the Level 2 Water Supply Shortage restrictions and also implemented mandatory measures to achieve a 30% reduction in water use through the City. As a result, water production in 2015 was approximately 6,000 acre feet (AF) which is lower than the historical average of 7,800 AF. When compared with the 2013 peak usage of 8,938 AF the City realized a 33% reduction in water use.

The rains returned in late 2015 providing relief for drought stricken areas. For the City, this may come in the form of greater groundwater recharge allocations from the Santa Clara Valley Water District (SCVWD). However, aquifer recovery is a slow process and we expect the SCVWD to continue with water use restrictions for the foreseeable future. The Water Division team will continue to work closely with the SCVWD on water conservation and the status of the groundwater basin.

### FY 15-16 ACCOMPLISHMENTS

- Completed a comprehensive rate study for the wastewater enterprise in order to balance the long-term environmental and financial sustainability
- Exercised 1,117 water valves to confirm system control function in the event of main breaks or other emergencies
- Tested 504 large (greater than 1 1/2 inches) water meters to ensure accuracy for the largest water customers
- Began design of the Butterfield Well, Boys Ranch #1, and Main Well #2 well rehabilitation projects
- Began design of the East Dunne Avenue Transmission Main and Reservoir projects
- Completed installing bulk storage tanks at each well allowing bulk delivery of chlorine; reduced disinfection costs
- Updated Urban Water Master Plan to comply with State requirements

## ACTIVITY GOALS

## FY 16-17 and 17-18

- Complete a Water System Master Plan including revised Capital Improvement Plan
- Implement work order management system needed to track work performed by the utility team
- Construct 850,000 gallon East Dunne Reservoir
- Design Holiday Booster Station at New East Dunne Avenue Reservoir
- Construct new pump and control buildings for the new East Main and Walnut Grove Wells
- Complete rehabilitation of the Boys Ranch #2 and Jackson Well



CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL •

- ## COUNCIL GOALS

- Provide safe, clean drinking water
- Maintaining public health and safety in providing water to fight fires and protect property
- Maintain reliable and dependable water systems

- Balance environmental and financial sustainability while meeting long term State conservation mandate
- Meet water revenue bond covenants and the water enterprise funds (operations, rate stabilization, and capital improvement funds) reserve policy

- Updating the Utilities Master Plans (Water, Sewer, Stormwater)
- Developing 5-year Urban Water Management Plan

- Constructing a multitude of water capital improvement projects

- Participating in Task Force on Water Efficient New Development

In FY 15-16, the City Council went through an extensive utility rate study to ensure both public safety and public health for the Morgan Hill community are maintained. As a result of the rate study, the Council approved a five year annual rates increase plan to ensure that the integrity and reliability of the essential community assets can be maintained, aging and inefficient infrastructure replaced, provide proper reserve levels in accordance with Council policy and legally required debt coverage, and that sufficient annual operating revenue would be generated to pay all annual operating expenses.

## Water Operations (continued)

The new rates became effective April 1, 2016 with ratepayers seeing an increase of 9.0 percent in fixed meter and consumption charges, and further rate adjustments of 7.25 percent on January 1 of each subsequent years through 2020. Costs that must be recovered through rate revenue include purchased water, electricity, equipment and supplies, treatment chemicals, debt service, and salaries and benefits. Additionally, revenues generated from the water rates would be used to restore water reserve funds that have been drawn down to compensate for lower levels of water consumption.

The two-year recommended budget in Water Operations incorporates a reduction in water consumption from the 2013 base year level by 30% in FY 16-17 and 20% in FY 17-18. At these water production levels, the groundwater production charges are budgeted at \$2,358,651 and \$2,845,753 in FY 16-17 and FY 17-18, respectively, which account for approximately 26% of the Water Operations budget. These amounts are based on the charges previously set by the SCVWD at \$377 per AF in FY 16-17 and \$398 per AF in FY 17-18. The SCVWD has proposed an additional increase to \$398 per AF in FY 16-17 (11.8% increase over FY 15-16) and \$420 per AF in FY 17-18. These additional increases in the amount of \$131,384 in FY 16-17 and \$157,303 in FY 17-18 are not included in the line item budgets. The City may consider to pass-through these additional increases to our water customers, as permitted in the recently approved Proposition 218 process.

The FY16-18 recommended budget also includes a new GIS Manager position, which will be funded 13% by Water, and remainder by the General, Community Development, Park Maintenance, Wastewater Funds.

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •  
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

• CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18

## Water Operations (continued)

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
43825	MACHINERY/EQUIPMENT	123,453	86,700	72,000	88,434	90,203
43840	COMPUTER EQUIPMENT	-	5,253	5,100	5,358	5,465
43845	COMPUTER SOFTWARE	-	18,658	9,499	13,931	14,210
43897	METERS	546,128	550,000	550,386	650,000	650,000
Capital Total		669,581	660,611	636,985	757,723	759,878
45003	GENERAL LIABILITY INSURANCE	72,195	75,750	75,750	80,113	88,124
45004	BUILDING MAINT - CURRENT SERVICES	52,794	54,220	54,220	85,587	115,204
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,592	2,670	2,670	2,750	2,833
45006	FLEET REPLACEMENT	59,938	233,540	233,540	131,507	90,921
45009	INFO SYSTEM SERVICES	99,828	116,855	116,855	132,302	132,302
45010	GF ADMIN	195,746	205,534	205,534	215,810	226,601
Internal Services Total		483,094	688,568	688,569	648,069	655,984
49210	TRANSFER OUT-010 (GENERAL FUND)	435,557	436,623	436,623	345,000	347,025
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	51,453	56,931	56,931	78,690	81,951
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	10,300	10,300	10,300	-	-
49275	TRANSFER OUT-652 (WATER RATE STABILIZATION)	-	-	627	500,000	500,000
49273	TRANSFER OUT-653 (WATER REPLACE)	1,121,914	1,114,706	939,538	945,549	1,344,774
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	45,385	45,385	55,380	27,690
Transfer Total		1,619,224	1,663,945	1,489,404	1,924,619	2,301,440
5710 - Water Operations Total		8,661,852	9,309,995	8,914,889	9,764,580	10,792,094

CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

The CIP Project Implementation engineering team implements the annual capital improvement program (CIP). These activities include upfront planning for the CIP, producing bid documents (plans, specifications, cost estimates) for capital projects, and managing the construction of the projects. The Engineers and Aides in the CIP section also provide support services to teammates in other departments within the City and to the City Manager including technical advice, documentation research, preparation of exhibits, and attendance at meetings when necessary. In addition, the CIP Project Implementation engineering team members respond to inquiries from the public on a regular basis. The non-Engineering, non-technical team members in CIP Project Implementation team include administrative staff. Their role is to provide support and guidance for the implementation of the CIP program.

The Senior Project Manager position would be responsible for delivering more complex capital projects with a focus on upcoming Community Services recreation and parks projects funded by the Parks Impact fund (301), the Agriculture and Open Space Preservation Fund (306), and the new Commercial/Recreation Center Impact Fund (360). The position has been identified at the 'Senior Engineer' pay and responsibility level so that the City has a teammate with extensive public contract code and capital project delivery experience and can manage several complex projects simultaneously.

The CIP Project Implementation engineering team is augmented by consultants as needed for technical specialty work or time-constrained projects. In addition, through the use of in-house and contract support, the Division provides inspection services for CIP projects.

## FY 15-16 ACCOMPLISHMENTS

- Completed Downtown Projects
- Parking Structure
- Monterey Road Streetscape
- Third Street Reconstruction

## CIP Project Implementation (continued)

- Fourth Street Reconstruction
- Overhead Utility Undergrounding
- Completed the Lift Station H project
- Completed Sewer Point Repair project
- Completed Harding Avenue Trunk Sewer project
- Began Design of Lift Station Electrical Upgrades to Stations D, F, and W
- Continued collaboration with Open Space Authority on El Toro Trail project
- Began design for Downtown Parks project
- Began Parks, Recreation, Bikes and Trails Master Plan
- Prepare bid package for Monterey Road Median project
- Completed Pavement Rehabilitation Project
- Completed Sidewalk Repair project
- Continued participation in Upper Llagas Flood Control project
- Completed Recycled Water Study
- Began design for Jackson Oaks Water Improvements projects
- New Reservoir
- New 16" Water Main
- Oak Canyon Booster Station
- E. Dunne Booster Station
- Completed Phase 1 of Wells project
- Rehabilitate Boys Ranch #2 Well
- Rehabilitate Jackson Well
- New Walnut Grove Well
- New Main Avenue Well
- Completed Electric Vehicle Charging Station project
- Attended regular South County Regional Wastewater Authority (SCRWA) meetings
- Attend Valley Transportation Authority (VTA) Technical Advisory Committee meetings
- Participated in VTA Envision Silicon Valley project
- Participated in VTA CIP Subcommittee

## ACTIVITY GOALS

## FY 16-17

- Complete Jackson Oaks Water Improvements projects
- Complete Pavement Rehabilitation project
- Complete Phase 2 of Water Wells projects

CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL  
CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL  
CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL  
CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

- 
- Complete Safe Routes to School project
  - Continue to participate in Upper Llagas Flood Control project
  - Participate in Valley Transportation Authority (VTA) CIP Subcommittee
  - Participate in (VTA) Envision Silicon Valley project
  - Start construction of Library expansion
- ### **COUNCIL GOALS**
- #### **Enhancing public safety**
- Water System Improvements (Water Quality, Reliability, Fire Fighting Capability)
  - Wastewater System Improvements
  - Sidewalk Repair projects
  - Safe Routes to Schools Projects



- Complete Safe Routes to School project
- Continue to participate in Upper Llagas Flood Control project
- Participate in Valley Transportation Authority (VTA) CIP Subcommittee
- Participate in (VTA) Envision Silicon Valley project
- Start construction of Library expansion

### **COUNCIL GOALS**

#### **Enhancing public safety**

- Water System Improvements (Water Quality, Reliability, Fire Fighting Capability)
- Wastewater System Improvements
- Sidewalk Repair projects
- Safe Routes to Schools Projects

- 
- Complete Safe Routes to School project
  - Continue to participate in Upper Llagas Flood Control project
  - Participate in Valley Transportation Authority (VTA) CIP Subcommittee
  - Participate in (VTA) Envision Silicon Valley project
  - Start construction of Library expansion
- ### **COUNCIL GOALS**
- #### **Enhancing public safety**
- Water System Improvements (Water Quality, Reliability, Fire Fighting Capability)
  - Wastewater System Improvements
  - Sidewalk Repair projects
  - Safe Routes to Schools Projects



- Complete Safe Routes to School project
- Continue to participate in Upper Llagas Flood Control project
- Participate in Valley Transportation Authority (VTA) CIP Subcommittee
- Participate in (VTA) Envision Silicon Valley project
- Start construction of Library expansion

### **COUNCIL GOALS**

#### **Enhancing public safety**

- Water System Improvements (Water Quality, Reliability, Fire Fighting Capability)
- Wastewater System Improvements
- Sidewalk Repair projects
- Safe Routes to Schools Projects



- Complete Safe Routes to School project
- Continue to participate in Upper Llagas Flood Control project
- Participate in Valley Transportation Authority (VTA) CIP Subcommittee
- Participate in (VTA) Envision Silicon Valley project
- Start construction of Library expansion

### **COUNCIL GOALS**

#### **Enhancing public safety**

- Water System Improvements (Water Quality, Reliability, Fire Fighting Capability)
- Wastewater System Improvements
- Sidewalk Repair projects
- Safe Routes to Schools Projects

- 
- Complete Safe Routes to School project
  - Continue to participate in Upper Llagas Flood Control project
  - Participate in Valley Transportation Authority (VTA) CIP Subcommittee
  - Participate in (VTA) Envision Silicon Valley project
  - Start construction of Library expansion
- ### **COUNCIL GOALS**
- #### **Enhancing public safety**
- Water System Improvements (Water Quality, Reliability, Fire Fighting Capability)
  - Wastewater System Improvements
  - Sidewalk Repair projects
  - Safe Routes to Schools Projects

## CIP Project Implementation (continued)

## Protecting the environment

- Water System Improvements
- Wastewater System Improvements
- Transportation projects that promote Complete Streets design

## Maintaining fiscal responsibility

- Capital Improvement Plan that adheres to master plans
- Quality Control in Design Documents
- Deliver Capital Improvement projects that reduce maintenance issues

## Supporting youth

- Safe Routes to Schools projects
- Complete Streets design in transportation projects
- Design and build park spaces that accommodate youth

## Fostering a positive organizational culture

- Collaborate with other Departments in developing CIP projects

## Preserving and cultivating public trust

- Communicate to affected neighborhoods and businesses on projects
- Meet stated deadlines and budgets
- Keep website up to date

## Planning Our Community

- Develop infrastructure master plans and follow plans
- Coordinate infrastructure design and construction with development projects
- Design projects to minimize future maintenance

## Developing Our Community

- Build safe and reliable infrastructure
- Coordinate infrastructure design and construction with development projects
- Build infrastructure to meet growth needs

## Enhancing Our Services

- Build safe and reliable water and wastewater improvements
- Seek ways to provide sustainable streets
- Collaborate regionally to provide smart infrastructure



CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

- Keep website updated
- Reach out to affected community for all CIP projects - inform, listen, & collaborate
- Collaborate with other Departments on infrastructure build-out

- Actively participate with VTA on Envision Silicon Valley and other transportation grants
- Actively participate with SCRWA on treatment plant expansion
- Actively participate with SCVWD on long-term water supply and flood control

The proposed CIP program is \$29M in FY 16-17 and then \$28M in FY 17-18. The proposed FY's 16-17 and 17-18 budgets for Project Implementation (8280) are focused on delivering bond funded water and wastewater projects City-wide and launching what will be a robust parks and recreation acquisition and facilities program. In addition, a Streets budget that includes nearly \$2M in pavement maintenance and \$900,000 towards the Hale Avenue extension helps balance the CIP program.

The other Decision Package that impacts the budget is the new Public Works Inspector. This position will perform inspection services for both Land Development Engineering and Capital Projects Engineering. The salary will be split by 70% to CIP 745 and 30% to Engineering 206. The new costs that will be charged to the Salaries line item will be more than made up with a reduction in contract services charged to each project.

• CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18

## CIP Project Implementation (continued)

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
41100	SALARIES - GENERAL	872,875	941,002	955,079	1,020,771	1,069,400
41271	SALARIES - PART-TIME TEMP	514	-	1,500	-	-
41320	EARNED LEAVE LIABILITY	31,533	33,767	33,767	25,417	26,434
41490	OVERTIME - GENERAL	2,476	8,487	2,800	-	-
41620	RETIREMENT - GENERAL	152,817	167,912	170,318	185,183	199,415
41690	DEFERRED COMPENSATION	16,385	18,995	16,577	15,197	15,779
41700	GROUP INSURANCE	94,540	97,120	110,452	135,422	142,085
41701	MEDICARE	11,844	13,829	12,735	13,807	14,546
41701	MEDICARE PTT AND OT	-	-	62	-	-
41730	INCOME PROTECTION INS	7,539	6,933	8,239	9,174	9,174
41760	WORKERS COMP	21,721	47,261	23,697	25,520	26,735
41760	WORKERS COMP PTT AND OT	-	-	108	-	-
41799	BENEFITS	4,141	4,246	6,576	6,306	6,306
41800	UNIFORM	-	743	743	758	773
Salaries Total		1,216,385	1,340,295	1,342,653	1,437,555	1,510,647
42214	TELEPHONE	5,916	8,593	4,000	8,593	8,851
42228	GASOLINE & OIL	3,264	5,835	2,000	5,835	6,010
42230	SPECIAL COUNSEL	-	34,408	16,000	35,441	36,504
42231	CONTRACT SERVICES	578	6,896	2,500	21,896	22,103
42244	STATIONERY & OFFICE SUPPLIES	3,194	5,835	3,500	5,835	6,010
42245	COMPUTER HARDWARE-NON CAPITAL	3,909	9,770	9,770	14,020	10,063
42246	COMPUTER SOFTWARE-NON CAPITAL	850	4,456	4,500	4,589	4,727
42248	OTHER SUPPLIES	1,507	6,896	5,000	6,896	7,103
42250	ADVERTISING	419	318	150	328	338
42252	PHOTOCOPYING	2,087	2,334	2,600	2,404	2,476
42254	POSTAGE & FREIGHT	1,095	1,167	1,900	1,202	1,238
42257	PRINTING	210	955	3,000	983	1,013
42261	AUTO MILEAGE	350	849	350	874	900
42299	OTHER EXPENSE	547	1,061	650	1,061	1,093
42408	TRAINING & EDUCATION	1,470	3,713	1,200	3,713	3,825
42415	CONFERENCE & MEETINGS	1,033	1,591	1,000	1,591	1,639
42423	MEMBERSHIP & DUES	499	849	568	849	874
42435	SUBSCRIPTION & PUBLICATIONS	459	212	212	219	225
42510	MAINT - BLDGS/IMPROVEMENTS	-	212	212	219	225
42523	MAINT - MACHINE/EQUIPMENT	-	212	212	219	225
42526	MAINT - AUTO/TRUCKS	681	2,652	2,400	2,652	2,732
42531	MAINT - FURNITURE/OFFICE EQUIP	-	265	265	265	273
Supplies Total		28,069	99,080	61,989	119,684	118,447
43830	AUTO/TRUCKS	-	-	-	17,500	-
Capital Total		-	-	-	17,500	-
45003	GENERAL LIABILITY INSURANCE	78,456	66,815	66,815	26,305	28,936
45004	BUILDING MAINT - CURRENT SERVICES	18,700	18,171	18,172	43,120	41,488
45005	BUILDING MAINT - FUTURE REPLACEMENT	2,927	3,015	3,015	3,105	3,199
45009	INFO SYSTEM SERVICES	17,833	20,875	20,875	10,097	10,097
45010	GF ADMIN	117,297	123,161	123,161	129,319	135,785
Internal Services Total		235,212	232,038	232,038	211,947	219,504
49241	TRANSFER OUT-BOND/DEBT	10,061	10,061	10,061	5,756	6,635
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	20,606	20,606	27,752	13,876
Transfer Total		10,061	30,667	30,667	33,508	20,511
8280 - Capital Project Implementation Total		1,489,728	1,702,079	1,667,347	1,820,194	1,869,109